GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2193
ANSWERED ON:11.12.2015
Financial Impact on Employees under NPS
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government has taken note of the opposition over implementation of New Pension Scheme (NPS);
(b) if so, the details thereof;
(c) whether the said scheme is not very beneficial for the employees, if so, the details thereof; and
(d) whether the Government proposes to re-implement the old pension scheme by doing away with NPS, if so, the details thereof and the action taken by the Government in this regard?

Answer

The Minister of State in the Ministry of Finance

(a) & (b) Some representations have been received from certain quarters against the implementation of the National Pension System (NPS). The main demand in these representations is that NPS may be scrapped and the Government may revert to old defined benefit pension system.
(c) NPS had been designed giving utmost importance to the welfare of the subscribers under NPS. There are a number of benefits available to the employees under NPS. Some of the benefits are enlisted below:
â€¢ NPS is a well designed pension system managed through an unbundled architecture involving intermediaries appointed by the Pension Fund Regulatory and Development Authority (PFRDA) viz. pension funds, custodian, central record keeping and Accounting agency, National Pension System Trust, trustee bank, points of presence and Annuity service providers. It is prudently regulated by PFRDA which is a statutory regulatory body established to promote old age income security and to protect the interests of subscribers of NPS.
â€¢ Dual benefit of Low Cost and Power of Compounding- The pension wealth which accumulates over a period of time till retirement grows with a compounding effect. The all-in-costs of the institutional architecture of NPS are among the lowest in the world.

â€¢ Tax Benefits- The tax benefits are available to the NPS subscribers under the provisions of the Income- tax Act, 1961. These were further increased in the Finance Bill, 2015.
â€¢ Transparency and Portability is ensured through online access of the pension account by the NPS subscribers, across all geographical locations and portability of employments.
â€¢ Partial withdrawal- Subscribers can withdraw up to 25% of their own contributions before attaining superannuation age, subject to certain conditions.
(d) There is no such proposal.
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